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2018 ANNUAL REPORT



NuEnergy

DELIVERING CLEAN ENERGY TO INDONESIA



Corporate Directory

Company Name:

NuEnergy Gas Limited
ACN: 009 126 238

Directors:

Kong Kok Keong - Chairman
Kee Yong Wah – Deputy Executive Chairman
Goh Tian Chuan
Chen Heng Mun
Alan Fraser

Company Secretary:

Rozanna Lee

Registered/Administration Office:

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Level 38, Tower 3
International Towers Sydney
300 Barangaroo Avenue
Sydney NSW 2000

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Share Registry Office:

Link Market Services Limited
Level 1, 333 Collins Street
Melbourne VIC 3000
Phone: (03) 9615 9800
Fax: (03) 9615 9900

Auditor:

KPMG
Tower Three
International Towers Sydney
300 Barangaroo Avenue
Sydney NSW 2000

Stock Exchange Listing:

Australian Securities Exchange Ltd
20 Bridge Street
Sydney NSW 2000
ASX Code: NGY

Incorporated:

Western Australia
26 March 1985

Website:

www.nuenergygas.com

2018 ANNUAL FINANCIAL REPORT

Index:

Directors' Report	1
Corporate Governance	17
Declaration by Directors	18
Auditor's Independence Declaration	19
Consolidated Statement of Profit or Loss and Other Comprehensive Income	20
Consolidated Statement of Financial Position	21
Consolidated Statement of Changes in Equity	22
Consolidated Statement of Cash Flows	23
Notes to the Financial Statements	24 – 49
Independent Auditor's Report	50
Shareholder and Other Information	55

2018 ANNUAL FINANCIAL REPORT

Directors' Report

Your Directors present their report on the consolidated entity consisting of NuEnergy Gas Limited (referred to thereafter as the “Company” or “NuEnergy”) and the entities it controlled at the end of the financial year ended 30 June 2018 (collectively, the “Group”)

DIRECTORS

The following persons were Directors of the Company (the “Board”) throughout the whole of the financial year and up to the date of this report unless otherwise stated:

Kong Kok Keong	Chairman	
Kee Yong Wah	Deputy Executive Chairman	
Goh Tian Chuan	Non-Executive Director	
Chen Heng Mun	Non-Executive Director	
Alan Fraser	Non-Executive Director	
Graeme Robertson	Non-Executive Director	- Resigned on 13 September 2017

PRINCIPAL ACTIVITIES

The principal activities of the Group are exploration, appraisal and development of hydrocarbons with a primary focus on unconventional gas on coal seam gas also known as coal bed methane (“CBM”).

There were no significant changes in the nature of the Group’s activities during the financial year.

DIVIDENDS

The Company does not currently have any cash generating business units or assets, nor does it have a Board approved dividend policy. All Group assets are in exploration and appraisal stage and are therefore cash consuming rather than cash generating. Accordingly, it is unlikely that a dividend will be paid by the Company in the short-term.

No dividends were paid or proposed to be paid to members during or since the end of the financial year.

SHARE OPTIONS

There were no options granted during the financial year to subscribe for unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

CONSOLIDATED RESULTS AND FINANCIAL POSITION

The net consolidated loss of the Group for the financial year after income tax attributable to members of the Company was \$12,531,172 (2017 loss: \$4,594,843). As at 30 June 2018, the Group has cash and cash equivalents of \$1,369,743 (2017: \$7,449,093) and net assets of \$38,649,357 (2017: \$49,776,564).

REVIEW OF OPERATIONS

Operating results for the year

The Group reported a net loss of \$12,532,688 for the financial year compared to a net loss of \$4,607,335 for the previous financial year. The increase in the net loss includes a full impairment charge of \$11,397,870 on the exploration and evaluation asset recognised for the Rengat Production Sharing Contract ("PSC"). NuEnergy and the Indonesian Special Task Force for Upstream Oil and Gas Business Activities (commonly referred to SKK Migas) amicably agreed for NuEnergy to relinquish the Rengat PSC after confirmation from SKK Migas of the completion of the PSC firm commitments, as there have not been attractive commercial discoveries based on the exploration and drilling activities to date. As at 30 June 2018, the Group had cash and cash equivalents of \$1,369,743 (2017: \$7,449,093) and net assets of \$38,649,357 (2017: \$49,776,564).

Operational performance

During the financial year, NuEnergy operations were mainly focused on the Plan of Development ("POD") preparation and submission for the Tanjung Enim PSC.

Tanjung Enim PSC

South Sumatra, Indonesia

NuEnergy Interest: 45%

Operator: Dart Energy (Tanjung Enim) Pte Ltd (a subsidiary of NuEnergy)

In July 2017, NuEnergy submitted the Exploration Status Decision Report to SKK Migas which consisted of 8 years of exploration activities, resources estimate, the POD concept and economic evaluation, and received the approval for the POD preparation in August 2017. The POD preparation process was a core activity during the financial year in collaboration with SKK Migas and both PSC partners, PT Pertamina and PT Bukit Asam, two leading state-owned energy and resources companies. The preparation processes were focused on the CBM resource verification and reserves certification, detailed subsurface evaluation, reservoir modelling, pre-Front End Engineering and Design study for the project development layout on the field infrastructure, well drilling completion design, environmental study, other non-subsurface related survey and activities and marketing analysis.

As an initial step of engagement with potential gas buyers, NuEnergy executed the first Memorandum of Understanding ("MOU") with PT Pertamina Gas ("Pertamina Gas") in September 2017. Pertamina Gas is a subsidiary of PT Pertamina and has focus in the midstream and downstream gas in Indonesia with its primary activity in trading, transportation, processing and distribution and other businesses related to natural gas and their associated products. Under the MOU, NuEnergy and Pertamina Gas have agreed to exchange information and to jointly evaluate the economic viability of the CBM gas supply from the Tanjung Enim PSC initial POD to fulfil Pertamina Gas consumers' needs in Sumatra. The MOU is also an important step that will lead to the negotiation of the Gas Sales and Supply Heads of Agreement to agree on the main commercial terms of the supply period, supply volume and price.

In January 2018, the Indonesia Research and Development Center for Oil and Gas Technology (commonly referred to as LEMIGAS) completed the CBM resources verification and reserves certification on the POD target development areas. LEMIGAS is the Indonesian government research and technology institution operating in the area of upstream and downstream oil and gas business and has key roles in the development of the oil and gas industry through research, engineering and development activities. The CBM reserves certification is one of the compulsory processes for the POD submission in Indonesia that must be administered by an Indonesian government accredited agency such as LEMIGAS. The CBM reserves certification confirmed reserves totalling ~165 Bscf for the POD target development areas (refer details for the LEMIGAS Reserves Certification in the following section after the Review of Operations).

Subsequent to the endorsement of the Tanjung Enim PSC reserves certification and the completion of the key POD preparation processes by end of April 2018, NuEnergy submitted the first POD for the Tanjung Enim PSC ("POD I") to the Head of SKK Migas. The POD I submission was a significant milestone for the CBM industry in Indonesia as it signified the first CBM POD in Indonesia. SKK Migas has submitted the recommendation for the POD I proposal to the Indonesia Ministry of Energy and Mineral Resources for approval, which is anticipated in the second half of 2018.

The POD I plans for development in two target areas, in the north and south of the PSC covering ~ 33km² (or 13% of the total acreage), where NuEnergy has focused its exploration, drilling and pilot production activities over the last 8 years. The proposed POD I plans to develop 209 wells in the identified north and south areas where the gas will be transported through a new 24km pipeline to be built as part of the POD I to the north of the PSC. This will link the nearby infrastructure including the Pertamina Gas transmission pipeline situated in the north of the PSC, which has greater market access and flexibility to the Palembang area. The proposed POD I plans for gas production and delivery to plateau at 25 MMSCFD for 10 years.

Field development planning works has commenced and field development will be a core activity in 2019.

REVIEW OF OPERATIONS (CONTINUED)

Operational performance (continued)

Rengat PSC

Central Sumatra, Indonesia

NuEnergy Interest: 100%

Operator: Indo CBM Pty Ltd (a subsidiary of NuEnergy)

During the financial year, NuEnergy completed the drilling program for two exploratory wells for the purpose of fulfilling the remaining firm commitment for the Rengat PSC. The Company has submitted the work completion report to SKK Migas and is currently in the process of finalising and confirming completion of the firm commitment.

As there have not been attractive discoveries based on the exploration and drilling activities to date, NuEnergy and SKK Migas have amicably agreed for NuEnergy to relinquish the Rengat PSC after completion of the firm commitment. There will be no operational impact to NuEnergy after the relinquishment and this is in line with NuEnergy's key strategic focus on its four South Sumatra PSCs (namely the Tanjung Enim PSC, Muara Enim PSC, Muara Enim II PSC and Muralim PSC) to develop and operate a large CBM supply, and to better utilise its current resources to bring the South Sumatra PSCs to development.

Muara Enim II PSC

South Sumatra, Indonesia

NuEnergy Interest: 30%

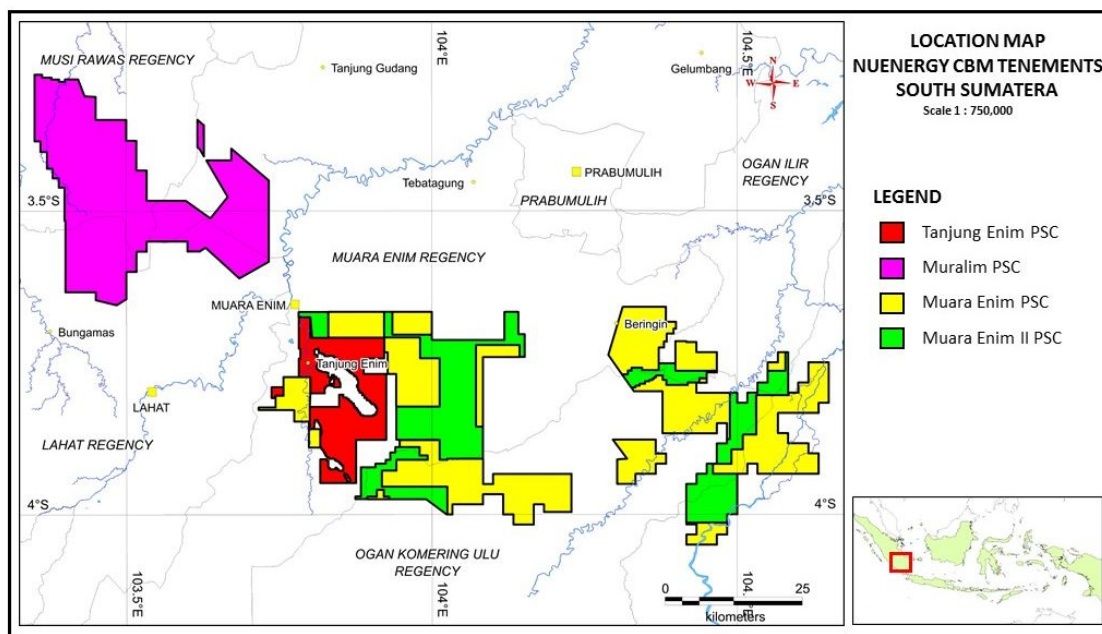
Operator: Indo CBM Sumbagsel 2 Pte Ltd (a subsidiary of NuEnergy)

During the financial year, SKK Migas granted the Exploration Period extension to the Muara Enim II PSC for four years to 31 March 2021 after NuEnergy completed drilling three production wells in the previous financial year as part of the work to fulfil the PSC commitments to apply for the Exploration Period extension.

The drilling in 2017 revealed similar reservoir characteristic to the Tanjung Enim PSC which is located adjacent to the west of the Muara Enim II PSC and is comparable to the general reservoir characteristic of the South Sumatra basin. The results from logging of each well revealed coal seams ranging in total thickness of 41 – 53 meters and with over 12 meters thickness from a single seam.

The drilling results also confirm the coal continuity throughout all NuEnergy's South Sumatra PSCs. NuEnergy PSCs in South Sumatra cover a total area of 2,280km² (after full relinquishment under the terms of the PSC) and are situated in one of the most prolific CBM basins in Indonesia, each near major export pipelines, underutilized gas infrastructure and high-volume under supplied markets. NuEnergy has the potential to develop and operate a large scale CBM supply in South Sumatra with the Tanjung Enim PSC, Muara Enim PSC, Muara Enim II PSC and Muralim PSC located in close proximity to one another.

The Muara Enim II PSC located among NuEnergy South Sumatra PSC



REVIEW OF OPERATIONS (CONTINUED)

Operational performance (continued)

Muralim PSC

South Sumatra, Indonesia

NuEnergy Interest: 50%

Operator: Dart Energy (Muralim) Pte Ltd (a subsidiary of NuEnergy)

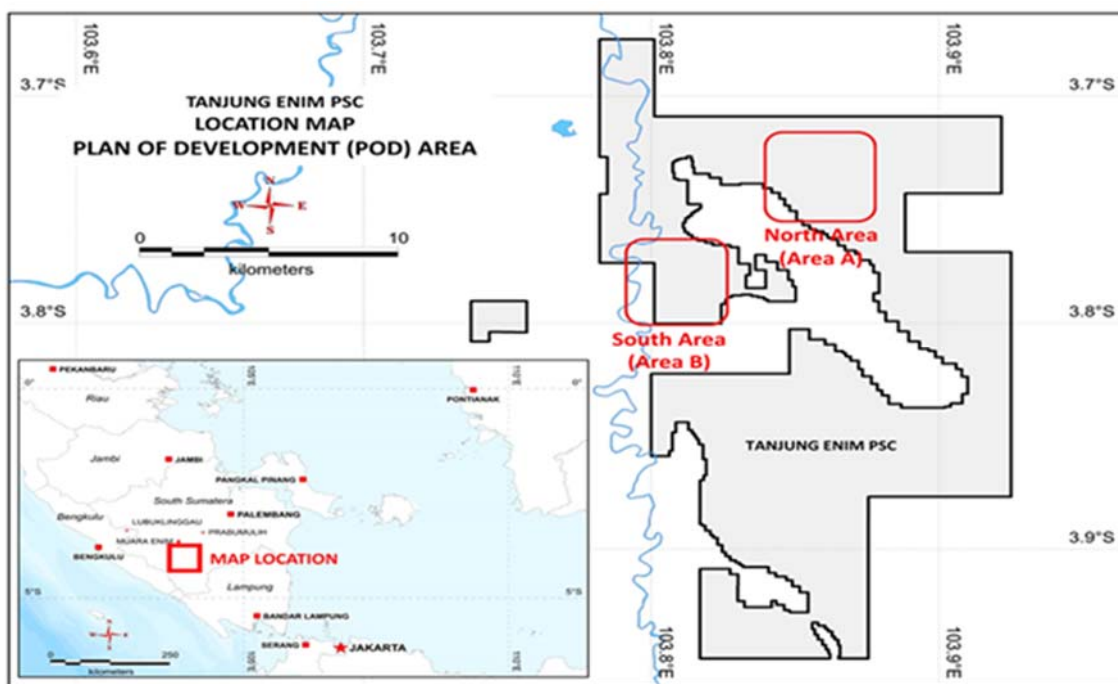
During the financial year, SKK Migas granted the Exploration Period extension to the Muralim PSC for four years to 2 December 2020 after NuEnergy successfully completed drilling one exploratory well and conducted permeability tests on two existing wells in the previous financial year as part of the program to fulfil the PSC commitments to apply for the Exploration Period extension. The program also enabled NuEnergy to improve the understanding of the coal characterisation and continuity to the eastern part of the Muralim PSC where the other NuEnergy South Sumatra PSCs are located for a potential large scale CBM development.

LEMIGAS RESERVES CERTIFICATION

The CBM reserves certification is one of the compulsory processes for the POD submission in Indonesia that must be administered by an Indonesian government accredited agency such as LEMIGAS.

The CBM reserves certification covers the POD target development areas that has been identified in the north (Area A) and south (Area B) area of the Tanjung Enim PSC covering 33km² that will form the basis of the overall POD proposal for submission to the Indonesia Ministry of Energy and Mineral Resources for approval.

Target Development Areas of the Tanjung Enim PSC POD (POD I)



In preparing the reserves certification, the quantities of the CBM reserves have been estimated by LEMIGAS based on the most known standard integrated approaches of geological, geophysical and engineering methods which are generally accepted in the CBM industry and oil and gas industry in Indonesia.

The reservoir characterisation was established based on 17 wells drilled before 2017 although no new wells were drilled for the purpose of this reserves certification. However, LEMIGAS has corroborated all the available data from the coal core holes, conventional well data and existing seismic. Using static modelling with the available data from the geological and geophysical analysis, well logs, CBM laboratory data and injection fall off tests, the Original Gas In Place was generated. The reserves figures were estimated as results of prediction using the Dynamic Modelling which are consistent with the reserves and resources certification for the Tanjung Enim PSC Pilot Production Program ("TEPPP") in February 2017.

LEMIGAS RESERVES CERTIFICATION (CONTINUED)

The following table summarises NuEnergy's participating interest from the LEMIGAS reserves certification classified as P1 (proved) and P2 (probable) deliverable gas reserves reported as gross interest in the ASX announcement dated 15 January 2018:

Area	Original Gas In Place		Remaining Gas Reserves		Remaining Gas Reserves NuEnergy Participating Interest	
	(Bscf)		(Bscf)		(Bscf)	
	P1	P2	P1	P2	P1	P2
A	56.239	74.575	43.968	58.304	19.786	26.237
B	57.986	28.299	42.079	20.537	18.936	9.242
Total	114.225	102.874	86.047	78.842	38.722	35.479

The reserves reported by LEMIGAS were not reported net of inert gases and fuel.

The CBM reserves were established according to LEMIGAS definition of proved and probable as follows:

Proved

Proved reserves is the quantity of CBM potential which can be estimated with reasonable certainty to be commercially recoverable from a given date forward, from known reservoirs and under current economic conditions, operating methods, and government regulations based upon analysis of geological and engineering data. Commercial productivity has been established by actual production, successful testing, and in certain cases, by well logs and/or core analysis that indicate the subject coal seams. Volumetrically, the structural area extent delineated by drilling and defined as the area which covered optimum area within which wells were proved by production test, otherwise indicated by definitive geological, engineering or performance data.

Probable

Probable reserves may include anticipated reserves in formations that appear to be productive based on well log characteristics but lack of core data or definitive tests, therefore sub-surface control is adequate to classify these reserves as proved. These anticipated reserves may be proved by new information provided by normal step-out drilling which would classify these probable reserves as proved reserves.

In accordance with ASX Listing Rule 5.43.2, NuEnergy confirms that it is not aware of any new information or data that materially affects the information included in the LEMIGAS Reserves Certification and the ASX announcement made on 19 January 2018, and that all material assumptions and technical parameters underpinning the estimates in same continue to apply and have not materially changed.

Comparison of LEMIGAS reserves certification to previously reported reserves and resources

In July 2012, Netherland, Sewell & Associates, Inc ("NSAI") estimated the contingent resources in the northern part of the PSC covering an area ranging from 55km² to 65km² and prospective resources in the southern part of the PSC where data from mines, surface mapping and coal exploration boreholes indicates the presence of coal. The contingent resources and prospective resources are summarized below:

Category	Unrisked Contingent Gas Resources (Bscf) ^{1,4}		Category	Unrisked Prospective Gas Resources (Bscf) ^{2,5}	
	Gross	Participating Interest ³		Gross	Participating Interest ³
Low Estimate (1C)	177	75	Low Estimate	99	23
Best Estimate (2C)	256	109	Best Estimate	192	44
High Estimate (3C)	360	154	High Estimate	333	76

Notes:

- ¹ Estimated probabilistically based on 2 CBM wells drilled by the Company and other wells drilled by mines covering an estimated productive contingent resource area of the northern part of the PSC ranging between 55km² and 65km² with a best estimate of 60km².
- ² Estimated probabilistically from an area in the southern part of the PSC where data from mines, surface mapping and coal exploration boreholes indicates the presence of coal.
- ³ Participating interests are after 5% deduction for shrinkage due to system use gas but do not include deductions under provisions of the PSC.
- ⁴ NSAI did not provide estimates of chance of development for the Contingent Resources.
- ⁵ NSAI did not provide estimates of chance of success for the Prospective Resources.

LEMIGAS RESERVES CERTIFICATION (CONTINUED)

Comparison of LEMIGAS Reserves Certification to previously reported reserves and resources (continued)

In February 2017, RPS Energy Consultants Limited (“RPS”) estimated the reserves in the South area (Area B) by evaluating 5 wells drilled for the TEPPP and the immediate vicinity covering an area of 0.8km². The TEPPP reserves and resources are summarized below:

	Gross 100% License Basis ¹			NuEnergy's Net Working Interest Basis ²			NuEnergy's Net Entitlement Basis ³		
	1P	2P	3P	1P	2P	3P	1P	2P	3P
Gas Reserves (Bscf) ⁴	0.27	0.64	0.83	0.12	0.29	0.38	0.11	0.26	0.34
	Gross 100% License Basis ¹			NuEnergy's Net Working Interest Basis ²					
	Low	Best	High	Low	Best	High			
Contingent Gas Resources (Bscf) ⁵	0.49	1.13	1.45	0.22	0.51	0.65			

Notes:

- ¹ All volumes reported are based on gross (100%) interest as the fields are within the PSC license boundary. These volumes include NuEnergy's and its partner's interest including the Indonesian Government's share.
- ² The volumes reported under these columns are based on NuEnergy's net working interest (45%), which include the Indonesian Government's share under the PSC.
- ³ The volumes reported are based on NuEnergy's net entitlement, which exclude the Indonesian Government's share under the PSC.
- ⁴ Based on the contractual volume in the Memorandum of Understanding (“MOU”) with PT Shalindo Energi signed on 30 November 2016, for a five year period starting in mid-2018 and reported net of inert gases and fuel.
- ⁵ RPS estimates the chance of development for the above resources to be 35% due to the lack of MOU for gas sales or Gas Sales Agreement covering the license period.

By comparing the LEMIGAS CBM reserves certification with the estimates prepared by NSAI in July 2012 and RPS in February 2017, NuEnergy provides the following updates and objectives:-

- 1) The LEMIGAS CBM reserves certification confirms the reserves for the POD target development areas concentrated in the north (Area A) and south (Area B) area of the PSC covering a total acreage of 33km².
- 2) The LEMIGAS CBM reserves certification is one of the compulsory and required processes for the POD submission in Indonesia.
- 3) The LEMIGAS CBM reserves certification has been prepared based on the most known standard integrated approaches of geological, geophysical and engineering methods which are generally accepted in the CBM industry and oil and gas industry in Indonesia.

Reserves and Resources Governance

Apart from the LEMIGAS reserves certification that is one of the compulsory and required processes for the POD submission in Indonesia that must be administered by an Indonesian government accredited agency such as LEMIGAS, independent consultants are engaged to prepare publically released Reserves and Resources assessments to SPE-PRMS standards. Under NuEnergy disclosure policies all statements of Reserves and Resources are approved by the Deputy Executive Chairman and Chief Executive Officer prior to release. Public reporting of Reserves and Resources estimates are prepared in accordance with the requirements set out in Chapter 5 of the ASX Listing Rules and the Company's continuous disclosure policy.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors, there were no significant changes in the state of affairs of the Group which have not been disclosed elsewhere in the Annual Financial Report.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The Directors are not aware of any matter or circumstances since the end of the financial year, not otherwise dealt with in this report that has significantly or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group.

LIKELY DEVELOPMENTS

Disclosure of information, in addition to that provided elsewhere in this report, regarding likely developments in the operations of the Group in future years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, information has not been disclosed in this report.

INFORMATION ON DIRECTORS, KEY MANAGEMENT PERSONNEL AND COMPANY SECRETARY

The names, particulars, experience and qualifications of the Directors, key management personnel and Company Secretary of the Company during the financial year and up to the date of this report are detailed below:

Kong Kok Keong – Chairman – *BBus (Honours)*

Appointed to the Board on 21 August 2014.

Mr. Kong has over 25 years of business experience, primarily in the financial services, resources and investment management industries. Early in his career he served as an Executive Director of Innosabah Securities, a leading Asian stockbroking firm, between 1992 to 2001. Mr. Kong then served as the Chairman and CEO of AutoV Group and Executive Director of AIC Semiconductor Sdn Bhd. Mr. Kong moved to become one of the lead executives at Globaltec Formation Berhad ("Globaltec"), an investment holding company listed on the Bursa Malaysia Securities (Malaysia Stock Exchange), with business divisions and investments in integrated manufacturing services, natural resources, energy and investment management. The natural resources business unit includes oil palm plantation and coal mining divisions. The energy business unit includes oil and gas exploration and production, and services. One of his key responsibilities at Globaltec was Chairman of their energy business unit. Once Globaltec acquired a significant shareholding in NuEnergy in 2014 through its subsidiaries New Century Energy Resources Limited ("NCE") and Globaltec Energy Resources Sdn Bhd ("GER"), he took over responsibility as Chairman of the Board of Directors. A renowned and respected Malaysian businessman, he holds a BA (Honours) in Business Studies from Leicester Polytechnic (United Kingdom) and is currently the Group Deputy Chairman of the wider Globaltec group.

Kee Yong Wah – Deputy Executive Chairman

Appointed to the Board on 21 August 2014.

Mr. Kee has more than 30 years of experience in the oil and gas exploration, production and services industries. In 1984, he joined Halliburton, a global oil and gas servicing company where he held various managerial, business development, operational and manufacturing positions in Asia and North America. His last appointment was General Manager of Business Development where he was responsible for a group of executives undertaking strategic planning and business development projects, including M&A strategies and formulating distributorship and agency agreements with customers. After Halliburton, Mr. Kee joined Smith International, another New York Stock Exchange listed company, similarly involved in the supply of products and services to the oil, gas and petrochemical markets. He served as their General Manager of China. Mr. Kee then moved to become the Vice President of SPT Energy Group, a Chinese company listed on the Hong Kong Stock Exchange, involved in the provision of oilfield services to Chinese National Oil Companies and State-Owned Enterprises. Throughout these various executive positions, he worked extensively with unconventional gas and CBM assets. Mr. Kee left SPT and subsequently became the Deputy Executive Chairman of NuEnergy. He is also the Founder of New Century Energy Resources Limited, one of the major new shareholders in NuEnergy.

INFORMATION ON DIRECTORS, KEY MANAGEMENT PERSONNEL AND COMPANY SECRETARY (CONTINUED)

Goh Tian Chuan – Non-Executive Director – *PhD(h)*

Appointed to the Board on 17 December 2014.

Dr. Goh is the Founder and Group Executive Chairman of Globaltec. He graduated from the Royal Malaysia Police College in 1982 and was a Senior Police Officer attached to the Royal Malaysia Police in Sabah. He left the police force in 1994, to start his own business which has since grown into an array of investments in several public listed companies, covering a multitude of industries including resources, energy, financial services and property development. He was Executive Chairman of both AIC Corporation Berhad (“AIC”) and Jotech Holdings Berhad (“Jotech”) before their merger to form the Integrated Manufacturing Services business unit at Globaltec. He also served as CEO and Group Executive Chairman of the Resources Business Unit at Globaltec. Dr. Goh has played a significant role in the development of the Malaysian State of Sabah, resulting in the conferring of the award of “Datuk” by the Head of State and then “Datuk Seri Panglima”, the highest State award in Sabah. He was appointed as a Justice of Peace (JP) by the Head of State of Malacca and obtained an Honorary Doctorate of Civil Laws from European University, Switzerland. He was bestowed the Panglima Setia which carries the title “Tan Sri” by His Majesty, the Yang di-Pertuan Agong of Malaysia in recognition of his significant contribution to the country and society.

Chen Heng Mun – Non-Executive Director – *CA, CPA*

Appointed to the Board on 1 January 2016.

Mr. Chen has 25 years of corporate and managerial experience in Asia. He is currently an Executive Director and the Group Finance Director of Globaltec. Prior to passing the professional exams conducted by the then Malaysian Association of Certified Public Accountants in 1995, Mr. Chen worked for KPMG, an international accounting firm from 1991 to 1996. He started as an Audit Assistant in KPMG and left as an Audit Supervisor. Subsequently, he joined AIC as Group Accountant in 1996 and was appointed to the board of AIC on August 2007 as an Executive Director and Chief Financial Officer. He was an Independent Non-Executive Director of Jotech from January 2007 to July 2007. Previously, he was an Executive Director of Nakamichi Corporation Berhad from June 2008 to December 2011. He was appointed to the Board of AutoV Corporation Berhad on May 2008 as Non-Independent Non-Executive Director. He is a member of the Malaysian Institute of Accountants, Malaysian Institute of Certified Public Accountants and Certified Public Accountants, Australia. Mr. Chen’s leadership and experience with financial reporting, accounting and M&A is warmly welcomed on the board of NuEnergy.

Alan Fraser – Non-Executive Director

Appointed to the Board on 20 January 1992.

Mr. Fraser has over 30 years’ experience in green field mineral exploration, project management and mine construction. He has managed coal, base metal and gold exploration projects through the stages of tenement acquisition, joint venture negotiation, obtaining regulatory approvals and the management of field exploration programs, at times in remote locations. He has worked extensively across the Asia-Pacific region, especially in both Australia and Indonesia. Alan served as CEO of New Holland Mining Limited, an ASX listed gold and base metal exploration company before becoming as the Managing Director and then Chairman of Resource Base Limited, another ASX listed company engaged in gold exploration and production, with activities in Australia. Before these roles he was the former CEO of NuEnergy when it first started to look at unconventional gas and coal assets in Indonesia. He stepped down to ensure new leadership could move the company forward with its focused gas strategy. He currently serves as a Non-Executive Director of Jack-In Group Limited, another ASX listed company that is a service provider to the construction and real estate industries. Mr. Fraser has vast knowledge of working with ASX listed companies and in helping create value for the Australasian investment community.

Graeme Robertson – Non-Executive Director – *BA, FAICD, MAIE*

Appointed to the Board on 29 March 2011, resigned on 13 September 2017.

Mr. Robertson has over 40 years’ experience in natural resources. He has been responsible for pioneering world-class energy, mining and infrastructure operations throughout Africa, Australia and Asia-Pacific, with considerable experience in Indonesia. Graeme was CEO of New Hope Corporation between 1987 and 2005, where he managed major international companies and their investments in Indonesia. In this timeframe, he was President Director of Adaro Indonesia (the largest single open cut coal mine in the Southern Hemisphere), President Director of Indonesia Bulk Terminal (a coal port) and Senior Advisor to the Indonesian Government for the development of the Patiton Power station (the country’s first independent power producer). Mr. Robertson currently serves as the Chairman of Intra Energy Corporation Limited (ASX: IEC), an Australian-based mining and energy company with coal mining and energy development assets in East Africa. He is also the CEO of Intrasia Capital, a Singapore based private, value-oriented portfolio investor investing proprietary capital. Outside of his business interests he is a Fellow of the Australian Institute of Company Directors and a Member of the Australian Institute of Energy. He was the recipient of the Asia 500 Award in 2000 and the Coaltrans Lifetime Achievement Award in 2010 for his contribution to the coal industry.

INFORMATION ON DIRECTORS, KEY MANAGEMENT PERSONNEL AND COMPANY SECRETARY (CONTINUED)

Dr Ian Wang – Chief Executive Officer – PhD (Rock Mechanics & Structural Geology), MSc (Rock Mechanics & Structural Geology)

Appointed on 1 September 2014.

Dr. Wang has more than 30 years' experience in the oil and gas industry. He previously held the position of General Manager of Greka Limited, a privately held oil and gas conglomerate with investments in China and India. Prior to joining Greka, he was employed as General Manager of Clarke Energy China. Further to this he has held senior exploration roles at Sino Gas & Energy Limited (an ASX listed company focusses on the exploration and development of gas assets in China) and Molopo Energy (an ASX listed company with oil and gas upstream interests in North America and Africa). Dr. Wang has substantial experience of working with unconventional gas assets and Coal Bed Methane projects via these roles and additionally when he served as Regional Manager for In-Situ and as Operations Manager for Huawell CBM Zhengzhou. Dr. Wang holds a Master of Science and PhD from Imperial College London, both in rock mechanics and structural geology and was an Associate Professor at the Chinese Academy of Science in Beijing. He was appointed as CEO of NuEnergy in 2014. His expertise on unconventional gas production and CBM asset development is expertly placed to spearhead NuEnergy on its path to soon be a major Indonesian unconventional gas producer.

Jason Chua Joo Huang – Chief Financial Officer – CA, FCCA

Appointed on 1 May 2015.

Mr. Chua has over 17 years' experience in operational and fiscal management in South East Asia. He is a Chartered Accountant, member of the Malaysian Institute of Accountants and Fellow of the Association of Chartered Certified Accountants, United Kingdom. In 1999, he started his career with KPMG Malaysia as an Audit Assistant and left as an Audit Senior in 2002. Subsequently, he joined AIC Corporation Berhad, a company listed on the Main Market of Bursa Malaysia, now part of Globaltec. In 2004, Mr. Chua was assigned to AIC Semiconductor Sdn Bhd, the largest subsidiary of AIC Corporation Berhad as the Finance Manager and then promoted to Financial Controller in 2008. He is now a key member of the Globaltec group helping manage their finances across their energy and resources business units. As CFO of NuEnergy he is ideally suited and placed to help the company through its next phase of growth and development to progress through the Plan of Development and into first gas production.

Rozanna Lee – Company Secretary – BCom, LLB, GradDipACG, AGIA, AGIS

Appointed on 1 June 2016.

Rozanna Lee has acted as Company Secretary for NuEnergy since August 2011 up to her resignation on 30 September 2015 and reappointment on the 1 June 2016. She holds both commerce and law degrees from the University of Queensland and is an Associate Member of the Governance Institute of Australia.

MEETINGS OF DIRECTORS

The following table sets out the number of the Company's Board of Directors meetings held during the financial year and the number of meetings attended by each Director.

Directors	Meetings of Directors	
	Held	Attended
Kong Kok Keong	4	4
Kee Yong Wah	4	4
Goh Tian Chuan	4	3
Chen Heng Mun	4	4
Graeme Robertson (resigned 13 September 2017)	1	1
Alan Fraser	4	4

There were no separate Nomination and Remuneration or Audit and Compliance Committee meetings for the financial year.

Executive Committee

The Executive Committee consists of two Non-Executive Directors from the Board, the Deputy Executive Chairman and the Chief Executive Officer. The Executive Committee will maintain close contact with the Board between Board meetings in ways the Executive Committee considers appropriate, or the Board determines. The Executive Committee will keep the Board informed of important issues.

MEETINGS OF DIRECTORS (CONTINUED)

The following table sets out the Executive Committee meetings held during the financial year and the number of meetings attended by each member.

Members	Executive Committee Meetings	
	Held	Attended
Kee Yong Wah	4	4
Goh Tian Chuan	4	3
Chen Heng Mun	4	4
Dr Ian Wang	4	4

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for Directors and key management personnel of the Company. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report is set out below under the following main headings:

- A. Principles used to determine the nature and amount of remuneration
- B. Directors' and key management personnel shareholdings
- C. Details of remuneration
- D. Employment contracts of Executive Director and key management personnel
- E. Other transactions with Directors

A. Principles used to determine the nature and amount of remuneration

Remuneration philosophy

The performance of the Group depends upon the quality of its directors and executives. To prosper, the Group must attract, motivate and retain highly skilled directors and executives.

Remuneration may consist of fixed remuneration and variable remuneration.

Fixed remuneration

Fixed remuneration is reviewed annually by the Board of Directors. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices.

Variable remuneration

Variable remuneration is reviewed annually by the Board of Directors. The Board does not consider it necessary at the present time to take additional steps to link the remuneration of Directors and key management personnel with the creation of shareholder wealth given the existing size and scale of operations.

REMUNERATION REPORT (AUDITED) (CONTINUED)

A. Principles used to determine the nature and amount of remuneration (continued)

Remuneration reviews

The Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors and other key management personnel. The Board of Directors assesses the appropriateness of the nature and amount of compensation of Directors and key management personnel on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of high quality board and executive team.

Relationship between remuneration and Company performance

The table below sets out the summary information about the Group's results and movements in share price for the five years to 30 June 2018.

	30 June 2018	30 June 2017	30 June 2016	30 June 2015	30 June 2014
Loss after tax (\$)	(12,532,688)	(4,607,335)	(2,375,828)	(26,445,137)	(2,491,087)
Loss per share (cents per share)	(0.85)	(0.38)	(0.24)	(4.29)	(0.76)
Share price at the end of the financial year (cents per share)	4.0	2.6	2.5	2.9	1.0

There is no relationship between the remuneration and Group performance as the Group is currently under the exploration and appraisal phase.

Non-Executive Director remuneration

Non-Executive Directors' fees are paid within an aggregate limit which is approved by the Company's shareholders from time to time. The total of Non-Executive Director fees was set at a maximum of \$500,000 per annum at a general meeting of shareholders held on 13 November 2007. Presently, the Board has determined the Non-Executive Directors fees will be set at a maximum of \$40,000 per annum per Director. Retirement payments, if any, are agreed to be determined in accordance with the rules set out in the *Corporations Act 2001* at the time of the Director's retirement or termination. Non-Executive Directors' remuneration may include an incentive portion consisting of bonuses and/or options, as considered appropriate by the Board, which may be subject to shareholder approval in accordance with the ASX Listing Rules.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers the amount of Director fees being paid by comparable companies with similar responsibilities and the experience of the Non-Executive Directors when undertaking the annual review process.

To date, there is no relationship between the remuneration policy for Non-Executive Directors and the performance of the Company due to the existing size and scale of operations.

The Company determines the maximum amount for remuneration, including thresholds for share-based remuneration, for Directors by resolution of shareholders.

Executive Director and key management personnel remuneration

For the purpose of this report, the key management personnel are defined as those persons having the authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly. The following staff were considered as key management personnel during the reporting period:

Dr Ian Wang	Chief Executive Officer
Jason Chua Joo Huang	Chief Financial Officer

The Group aims to reward executives with a level and mix of compensation commensurate with their position and responsibilities within the Group so as to:

- align the interests of executives with those of shareholders;
- link rewards with the strategic goals and performance of the Group; and
- ensure total compensation is competitive by market standards.

REMUNERATION REPORT (AUDITED) (CONTINUED)

A. Principles used to determine the nature and amount of remuneration (continued)

Executive Director and key management personnel remuneration (continued)

The fixed remuneration is reviewed annually by the Directors. The process consists of a review of individual performance, relevant comparative compensation in the market and internally and, where appropriate, external advice on policies and practices.

B. Directors' and key management personnel shareholdings

At 30 June 2018, the Directors and key management personnel held direct and indirect relevant interests in the shares of the Company as set out below:

	At 1 July 2017	Acquired / (Disposed)	At 30 June 2018
Directors			
Kong Kok Keong			
- Direct interest	-	68,112,694	68,112,694
- Indirect interest ^(a)	68,112,694	(68,112,694)	-
Kee Yong Wah			
- Direct interest	15,410,774	-	15,410,774
- Indirect interest ^(b)	478,723,404	-	478,723,404
Goh Tian Chuan			
- Direct interest	68,112,694	-	68,112,694
Chen Heng Mun	-	-	-
Graeme Robertson (resigned 13 September 2017)			
- Direct interest	8,599,340	(8,599,340)	-
- Indirect interest ^(c)	47,568,857	(47,568,857)	-
Alan Fraser	431,665	-	431,665
Key management personnel			
Dr Ian Wang	1,545,959	-	1,545,959
Jason Chua Joo Huang	-	-	-

^(a) Kong Kok Keong has indirect shareholding in the Company through Darulnas (M) Sdn Bhd in which he is deemed to have interest and significant influence. During the financial year, the shareholding of Darulnas (M) Sdn Bhd in the Company was transferred off market to Kong Kok Keong.

^(b) Kee Yong Wah has indirect shareholding in the Company through NCE in which he is deemed to have interest and significant influence.

^(c) Graeme Robertson has indirect shareholding in the Company through his spouse and Aspac Mining Limited Pty Ltd in which he is deemed to have interest and significant influence.

REMUNERATION REPORT (AUDITED) (CONTINUED)

C. Details of remuneration

The compensation of each director and other member of the key management personnel of the Group is set out below.

Details of remuneration for the financial year ended 30 June 2018

The remuneration for each Director and each of the key management personnel of the Group during the financial year was as follows:

2018	Salary, short term employment benefits and fees		Post-employment	Other long term benefit	Share based payments	
	Salary, fees and commission \$	Consulting fees \$	Superannuation contribution \$	Annual leave \$	Options and rights \$	Total \$
Non-Executive Directors						
Kong Kok Keong	40,000	-	-	-	-	40,000
Goh Tian Chuan	40,000	-	-	-	-	40,000
Chen Heng Mun	40,000	-	-	-	-	40,000
Graeme Robertson (resigned on 13 September 2017)	8,333	-	-	-	-	8,333
Alan Fraser	20,000	-	-	-	-	20,000
Executive Director						
Kee Yong Wah	120,000	-	-	-	-	120,000
Key Management						
Dr Ian Wang	262,800	-	-	20,256	-	283,056
Jason Chua Joo Huang	94,872	-	-	7,663	-	102,535
Total	626,005	-	-	27,919	-	653,924

Options issued as part of remuneration for the financial year ended 30 June 2018

There were no options issued as remuneration during the financial year ended 30 June 2018.

Shares issued as part of remuneration for the financial year ended 30 June 2018

There were no shares issued as remuneration during the financial year ended 30 June 2018.

Option scheme for the financial year ended 30 June 2018.

No options granted as part of remuneration during the financial year ended 30 June 2018.

REMUNERATION REPORT (AUDITED) (CONTINUED)

C. Details of remuneration (continued)

Details of remuneration for financial year ended 30 June 2017

The remuneration for each Director and each of the key management personnel of the Group in the previous financial year was as follows:

2017	Salary, short term employment benefits and fees		Post-employment	Other long term benefit	Share based payments	
	Salary, fees and commission \$	Consulting fees \$	Superannuation contribution \$	Annual leave \$	Options and rights \$	Total \$
Non-Executive Directors						
Kong Kok Keong	40,000	-	-	-	-	40,000
Goh Tian Chuan	40,000	-	-	-	-	40,000
Chen Heng Mun	40,000	-	-	-	-	40,000
Graeme Robertson	40,000	-	-	-	-	40,000
Alan Fraser	20,000	-	-	-	-	20,000
Executive Director						
Kee Yong Wah	120,000	-	-	-	-	120,000
Key Management						
Dr Ian Wang	262,800	-	-	20,256	-	283,056
Jason Chua Joo Huang	94,872	-	-	7,663	-	102,535
Total	657,672	-	-	27,919	-	685,591

Options issued as part of remuneration for the financial year ended 30 June 2017

There were no options issued as remuneration in the previous financial year ended 30 June 2017.

Shares issued as part of remuneration for the financial year ended 30 June 2017

There were no shares issued as remuneration in the previous financial year ended 30 June 2017.

Option scheme for the financial year ended 30 June 2017.

No options granted as part of remuneration in the previous financial year ended 30 June 2017.

D. Employment contracts of Executive Director and key management personnel

Kee Yong Wah was appointed as Non-Executive Director on 21 August 2014 and re-designated to Executive Director of the Company on 1 January 2015. His employment contract with the Company is for an indefinite period until terminated by either party by giving three months' notice. His total fixed remuneration is \$120,000 per annum (excluding superannuation contributions) subject to annual review. He is eligible to receive annual short term incentive target discretionary bonus if predetermined key performance indicators are achieved and to participate in the Company's options plan. His place of employment is in Jakarta, Indonesia.

Dr Ian Wang was employed by the Company as Chief Executive Officer on 1 September 2014. His employment contract with the Company is for an indefinite period until terminated by either party by giving three months' notice. His total fixed remuneration is \$262,800 per annum (excluding superannuation contributions) subject to annual review. He is eligible to participate in the Company's incentive scheme as approved by the Board from time to time. His place of employment is in Jakarta, Indonesia.

Jason Chua Joo Huang was employed by the Company as Chief Financial Officer on 1 May 2015. His employment contract with the Company is for an indefinite period until terminated by either party by giving three months' notice. His total fixed remuneration is \$94,872 per annum (excluding superannuation contributions) subject to annual review. He is eligible to participate in the Company's incentive scheme as approved by the Board from time to time. His place of employment is in Jakarta, Indonesia.

REMUNERATION REPORT (AUDITED) (CONTINUED)

E. Other transactions with Directors

The following transactions took place between the Group and related parties at terms agreed between the parties during the financial year:

- (a) During the financial year, the Company paid a monthly rental fee of \$5,808 (plus GST) to Krisco Investments Pty Ltd, a related party to the Company's Chairman, Kong Kok Keong for the rental of office space. The total paid during the financial year was \$11,616 (2017: \$63,888). The lease was terminated in August 2017 before the expiry on 28 September 2018.
- (b) During the financial year, the Company paid \$9,867 (2017: \$31,958) in fees and reimbursements to Intrasia Mining Pte Ltd, a related party of Graeme Robertson, for the provision of accounting and administration to NuEnergy Gas (Singapore) Pte Ltd and Indo CBM Sumbagsel II Pte Ltd and for the reimbursements of administration and travel expenses incurred on behalf of the Company.

End of Remuneration Report (Audited)

ENVIRONMENTAL REGULATION

The Group is subject to and seeks to comply with environmental regulations in the jurisdiction in which it operates. These regulations cover the Group's exploration and development activities. Safety is a core value to NuEnergy and the Group strives for zero injury workplace for all employees, contractors and visitors to its operations.

At the date of this report, the Company is not aware of any matter which requires disclosure with respect to any significant environmental regulation in respect to its operating activities.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

During the financial year, the Company paid a premium to insure the Directors and officers of the Company against claims and related costs brought against an individual while performing their normal duties unless such claims relate to a dishonest or fraudulent act omission, or was for personal profit or advantage to which there was no legal entitlement. Amounts disclosed for remuneration of Directors and specified officers exclude an insurance premium of \$19,150 (2017: \$19,150) paid by the Company. This amount has not been allocated to individuals covered by the insurance policy as, based on all available information, the Directors believe that no reasonable basis for such allocation.

The Company has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify an auditor of the Company.

NON-AUDIT SERVICES

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

The Board of Directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

Details of the amounts paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms are set out in Note 16 of the Financial Statements.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration required under section 307C of the *Corporations Act 2001* is attached to this report.

Signed in accordance with a resolution of Directors.



Kong Kok Keong
Chairman
Sydney, 28 September 2018

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CORPORATE GOVERNANCE

The Board of Directors of NuEnergy Gas Limited ('NuEnergy') is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of NuEnergy on behalf of the shareholders by whom it is elected and to whom it is accountable.

The Company is committed to ensuring that its systems, procedures and practices reflect a high standard of corporate governance. The Directors believe that the corporate governance framework is critical in maintaining high standards of corporate governance and fostering a culture that values ethical behaviour, integrity and respect to protect security holders' and other stakeholders' interests at all times.

During the financial year ended 30 June 2018, save as disclosed in the Corporate Governance Statement, the Company's corporate governance framework was consistent with the third edition of the Corporate Governance Principles and Recommendations released by the ASX Corporate Governance Council.

The Company will now publish its Corporate Governance Statement on its website rather than in its Annual Report. The Corporate Governance Statement may be viewed or downloaded at: www.nuenergygas.com. Copies of the Group policies referred to in the Corporate Governance Statement are also posted on the website.

DECLARATION BY DIRECTORS

The Directors of the Company declare that:

1. The consolidated financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, and accompanying notes, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Australian Accounting Standards and the *Corporations Regulations 2001*; and
 - (b) give a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the year ended on that date.
2. The Company has included in Note 1 to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
4. The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



Kong Kok Keong
Chairman

Dated at Sydney, 28 September 2018



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of NuEnergy Gas Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of NuEnergy Gas Limited for the financial year ended 30 June 2018 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Daniel Camilleri

Partner

Sydney

28 September 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$	2017 \$
Income:			
Other income		10,000	-
Expenses:			
Directors' and employees' remuneration		(634,788)	(758,325)
Consultants		(236,587)	(180,096)
Administration expenses	2	(823,286)	(829,945)
Depreciation		(86,881)	(105,405)
Net finance costs		(146,874)	(289,641)
Foreign exchange loss		(162,162)	(175,844)
Impairment of exploration and evaluation assets	8.1	(11,397,870)	(3,116,685)
Loss on disposal of plant and equipment		(3,938)	-
Technical service drilling fee		-	(398,068)
Loss before income tax		(13,482,386)	(5,854,009)
Income tax benefit	3	949,698	1,246,674
Loss for the year		(12,532,688)	(4,607,335)
Other comprehensive (loss)/income			
Items that are or may be reclassified to profit or loss			
Movement in fair value of available for sale financial assets		(6,632)	(1,161)
Foreign currency translation reserve		1,422,894	(1,373,226)
Total comprehensive loss for the year		(11,116,426)	(5,981,722)
Net loss attributable to:			
Owners of the Company		(12,531,172)	(4,594,843)
Non-controlling interests		(1,516)	(12,492)
		(12,532,688)	(4,607,335)
Total comprehensive (loss)/profit attributable to:			
Owners of the Company		(11,104,129)	(5,991,201)
Non-controlling interests		(12,297)	9,479
		(11,116,426)	(5,981,722)
Loss per share			
Basic loss per share (cents per share)	17	0.85	0.38
Diluted loss per share (cents per share)	17	0.85	0.37

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	2018 \$	2017 \$
ASSETS			
Cash and cash equivalents		1,369,743	7,449,093
Other receivables and prepayments	4	1,128,816	672,597
Total current assets		<u>2,498,559</u>	<u>8,121,690</u>
Available for sale financial assets	5	4,642	11,274
Plant and equipment	7	103,535	190,712
Exploration and evaluation	8	36,334,509	43,907,168
Other financial assets	9	758,436	632,971
Total non-current assets		<u>37,201,122</u>	<u>44,742,125</u>
Total assets		<u>39,699,681</u>	<u>52,863,815</u>
LIABILITIES			
Other payables	10	1,013,875	2,080,885
Employee benefits		36,449	46,668
Total current liabilities		<u>1,050,324</u>	<u>2,127,553</u>
Deferred tax liabilities	12	-	949,698
Provisions	11	-	10,000
Total non-current liabilities		<u>-</u>	<u>959,698</u>
Total liabilities		<u>1,050,324</u>	<u>3,087,251</u>
Net assets		<u>38,649,357</u>	<u>49,776,564</u>
EQUITY			
Share capital	13	106,450,311	106,450,311
Reserves	14	5,093,766	3,677,504
Accumulated losses		(73,027,416)	(60,496,244)
Equity attributable to owners of the Company		<u>38,516,661</u>	<u>49,631,571</u>
Non-controlling interests		<u>132,696</u>	<u>144,993</u>
Total equity		<u>38,649,357</u>	<u>49,776,564</u>

The Consolidated Statement of Financial Position should be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

	Share capital	Reserves	Accumulated losses	Non-controlling interests	Total equity
	\$	\$	\$	\$	\$
Balance at 1 July 2016	95,001,949	4,949,924	(55,799,434)	148,006	44,300,445
Issue of ordinary shares	11,530,194	-	-	-	11,530,194
Share issue costs	(81,832)	-	-	-	(81,832)
Net loss after tax	-	-	(4,594,843)	(12,492)	(4,607,335)
Other comprehensive income					
- Movement in fair value of available for sale financial assets	-	(1,161)	-	-	(1,161)
- Foreign currency translation reserve	-	(1,373,226)	-	-	(1,373,226)
Transfer of reserves on available for sale financial assets to accumulated losses	-	101,967	(101,967)	-	-
Foreign currency translation on foreign operations	-	-	-	9,479	9,479
Balance at 30 June 2017	106,450,311	3,677,504	(60,496,244)	144,993	49,776,564

	Share capital	Reserves	Accumulated losses	Non-controlling interests	Total equity
	\$	\$	\$	\$	\$
Balance at 1 July 2017	106,450,311	3,677,504	(60,496,244)	144,993	49,776,564
Net loss after tax	-	-	(12,531,172)	(1,516)	(12,532,688)
Other comprehensive income					
- Movement in fair value of available for sale financial assets	-	(6,632)	-	-	(6,632)
- Foreign currency translation reserves	-	1,422,894	-	-	1,422,894
Foreign currency translation on foreign operations	-	-	-	(10,781)	(10,781)
Balance at 30 June 2018	106,450,311	5,093,766	(73,027,416)	132,696	38,649,357

The Consolidated Statement of Changes in Equity should be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$	2017 \$
Cash flows from operating activities			
Interest received		23	7,303
Bank guarantee deposits (placement)/released		(96,745)	925,508
Bank guarantee and other financing costs		(146,897)	(296,944)
Payments to suppliers and employees		(2,116,677)	(2,311,842)
Net cash used in operating activities	20	(2,360,296)	(1,675,975)
Cash flows from investing activities			
Payments for exploration and evaluation expenditures		(3,861,756)	(4,997,472)
Payments for plant and equipment		(4,186)	(115,086)
Proceeds from sale of plant and equipment		296	-
Net cash used in investing activities		(3,865,646)	(5,112,558)
Cash flows from financing activities			
Proceeds from issue of share capital		-	11,530,194
Transaction costs associated with issue of share capital		-	(81,832)
Proceeds from borrowings		-	2,401,281
Repayment of borrowings		-	(2,401,281)
Net cash from investing activities		-	11,448,362
Net (decrease)/increase in cash and cash equivalents		(6,225,942)	4,659,829
Cash and cash equivalents at 1 July		7,449,093	2,848,224
Effect of movements in exchange rates on cash held		146,592	(58,960)
Cash and cash equivalents at 30 June		1,369,743	7,449,093

The Consolidated Statement of Cash Flows should be read in conjunction with the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

These financial statements are the consolidated financial statements of the consolidated entity consisting of NuEnergy Gas Limited (the “Company” or NuEnergy) and its subsidiaries (“the Group”). Unless otherwise specified, the financial amounts appearing in these financial statements are in Australian Dollars.

NuEnergy Gas Limited is a listed public company, incorporated and domiciled in Australia. Its registered office is:

c/- KPMG, Level 38, Tower 3, International Towers Sydney, 300 Barangaroo Avenue, Sydney NSW 2000, Australia.

Principal Activities

The principal activities of the Group are exploration, appraisal and development of hydrocarbons with a primary focus on unconventional coal seam gas (also known as coal bed methane (“CBM”)).

There were no changes in the nature of the Group’s activities during the year.

Authorisation of Financial Statements

The financial statements were authorised for issue by the Directors on 28 September 2018 on the date the Declaration by Directors was signed.

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out in the following note. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of NuEnergy Gas Limited and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The Group is a for profit entity for financial reporting purposes under Australian Auditing Standards.

Compliance with IFRS

The consolidated financial statements of the Group comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

The financial statements are presented in Australian Dollars and except for cash flow information, they have been prepared on an accruals basis and based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Going concern

The Group has recorded a loss of \$12,532,688 had net cash outflows from operations of \$2,360,296 for the year ended 30 June 2018, and has no ongoing source of operating income. At 30 June 2018 the Group had net assets of \$38,649,357 which includes \$1,369,743 of cash and cash equivalents.

The financial statements have been prepared on a going concern basis which assumes the realisation of assets and the extinguishment of liabilities in the normal course of business and at the amounts stated in the financial statements.

The Directors believe the going concern basis is appropriate for the following reasons:

- i) At 30 June 2018, the Group had cash and cash equivalents of \$1,369,743;
- ii) The Directors have prepared a cash flow forecast for the period up to 30 September 2019 which includes planned capital raising of \$13,333,333 as well of cash calls from joint venture partners of \$6,299,549 to ensure all planned exploration and development expenditure of approximately \$14,692,566 for the 15 month period from 1 July 2018 to 30 September 2019 and overheads of \$5,013,333 can be met. The total planned exploration and development expenditure includes the minimum exploration and development expenditure required under the Production Sharing Contracts (“PSC”). In the event that further planned capital raisings are delayed, the Directors believe that the Group will have the ability to scale back its operations and move some of the minimum exploration and development expenditure commitments under the PSC to future years after negotiation with the Indonesian Oil and Gas Regulator.
- iii) The Group applied to relinquish the Rengat PSC in December 2017. The Group expects that the relinquishment will be granted without penalties applied.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Going concern (continued)

After considering all the above factors, the Directors have concluded that the use of going concern assumption is appropriate. However, to meet the future committed expenditure the Group will be required to raise further equity and/or receive financial support from the Group's ultimate parent Globaltec Formation Berhad, as well as receive cash calls from joint venture partners to continue as a going concern. As a result, there remains material uncertainty as to whether the Group will continue as a going concern without access to equity or financial support or if significant penalties were imposed for failure to meet the exploration commitments.

If the Group is unable to continue as a going concern then it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Significant assumptions and key estimates

The preparation of the financial statements in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values that are not apparent from other sources. Actual results may differ from these estimates.

In particular, information about significant areas of estimating uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are described in Note 8 – Exploration and evaluation.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Exploration and evaluation

Exploration and evaluation expenditure results in certain items of expenditure being capitalised for an area of interest where it is considered likely to be recovered by future exploitation or sale, or where the activities have not reached a stage that permits a reasonable assessment of the existence of reserves. Management makes certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If after having capitalised the expenditure, a judgement is made that recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to the income statement.

(b) Basis of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent, NuEnergy Gas Limited, and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 6.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as “non-controlling interests”. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. Summary of significant accounting policies (continued)

(b) Basis of consolidation (continued)

Business Combinations

Business combinations occur where the acquirer obtains control over one or more businesses resulting in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (ie parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated financial statements, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of any non-controlling interest will impact on the measurement of goodwill to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured at each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

Jointly arrangement for controlled operations and assets

The Group has interests in joint arrangements in relation to its exploration assets under the Production Sharing Contracts ("PSC"). The joint arrangement agreements require unanimous consent from all parties in some instances for all relevant activities, all assets are held jointly in common and all parties are severally liable for the liabilities incurred.

Interests in unincorporated jointly controlled assets are brought to account by recognising in the financial statements the proportionate share of the assets they control, the liabilities and expenses they incur, and their share of the income that they earn from the sale of goods or services by the joint venture.

Interest in joint operations

Property	Operator	NuEnergy Interest	PSC Expiry Date
Indonesia			
Muara Enim PSC	PT Trisula CBM Energi ^(A)	40%	29 November 2039
Muara Enim II PSC	Indo CBM Sunbagsel II Pte Ltd ^(A)	30%	31 March 2041
Tanjung Enim PSC	Dart Energy (Tanjung Enim) Pte Ltd ^(A)	45%	3 August 2039
Muralim PSC	Dart Energy (Muralim) Pte Ltd ^(A)	50%	2 December 2040

^(A) – Subsidiary of NuEnergy.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. Summary of significant accounting policies (continued)

(c) Plant and equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation is calculated using the straight-line method to allocate depreciable amounts over the estimated useful lives. The estimated useful lives are as follows:-

- | | |
|--|-------------|
| - Equipment | 5 years |
| - Tools, jigs and fixtures | 4 years |
| - Furniture, fittings, office equipment and renovation | 3 – 4 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the period the item is derecognised.

Impairments

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

(d) Exploration and evaluation

Exploration and evaluation expenditures in respect of each identifiable area of interest are capitalised in the year in which they are incurred and are carried at cost less accumulated impairment losses where the following conditions are satisfied:

- the right to tenure of the area of interest are current; and
- at least one of the following conditions are met;
 - (i) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
 - (ii) the exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation expenditure comprises costs which are attributable to:

- Acquiring exploration rights;
- Researching and analysing existing exploration data;
- Conducting geological studies, exploratory drilling and sampling;
- Examining and testing extraction and treatment methods;
- Compiling pre-feasibility and feasibility studies; and
- Overheads, materials, drillable casings and consumables and equipment.

Such expenditures comprise net direct costs and an appropriate portion of related overhead expenditure but do not include overheads or administration expenditure not attributable to a particular area of interest.

Capitalised exploration and evaluation costs are reviewed at each reporting date as to whether an indication of impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

1. Summary of significant accounting policies (continued)

(d) Exploration and evaluation (continued)

The indicators that are reviewed for impairment are:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation assets is unlikely to be recovered in full from successful development.

If any such indication exists, the recoverable amount of the capitalised exploration costs is estimated to determine the extent of the impairment loss (if any).

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years. Where a decision is made to proceed with development, accumulated expenditure will be tested for impairment, transferred to development properties, and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced.

Restoration, rehabilitation and environmental expenditure

Restoration, rehabilitation and environmental costs necessitated by exploration and evaluation activities are provided for as part of the cost of those activities. Costs are estimated on the basis of current legal requirements, anticipated technology and future costs. Estimates of future costs are re-assessed as each reporting date.

(e) Impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss and other comprehensive income, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(f) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(g) Other receivables

Receivables which generally have 30-90 day terms, are recognised at amortised cost less adjustments for impairment or uncollectable amounts. An estimate for doubtful debt is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

1. Summary of significant accounting policies (continued)

(h) Investments and other financial instruments

Financial instruments are initially measured at fair value plus directly attributable transaction costs. Subsequent to initial measurement investments in other entities are classified as available-for-sale financial assets. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Available for sale financial assets

Available for sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Available-for-sale assets are carried at fair value, with changes in fair value recognised in equity. If there is a significant or prolonged decline in the fair value of a security below its cost it is considered to be objective evidence of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the consolidated statement of profit or loss and other comprehensive income on equity instruments classified as available-for-sale are not reversed through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost less impairment.

Impairment

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial assets.

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised as profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, indications that they will enter bankruptcy or other financial reorganisation and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

(i) Other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Other payables are stated at amortised cost and presented as current liabilities unless payments is not due within 12 months from the reporting date.

(j) Employee benefits

Short-term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits other than termination benefits that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the amounts expected to be paid when the obligation is settled.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

1. Summary of significant accounting policies (continued)

(j) Employee benefits (continued)

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted using the rates attached to the Australian Corporate Bonds as generated in the Milliman report that have maturity dates approximating the terms of NuEnergy's obligations. Any re-measurement for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in the statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(k) Leases

Operating lease payments are recognised as an expense in the consolidated statement of profit and loss and other comprehensive income on a straight-line basis over the lease term.

(l) Share capital

Ordinary share capital is recognised at the fair value of the consideration received by the Company. Transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the consideration received, net of any related income tax benefit.

(m) Interest income

Interest income is recognised as it accrues using the effective interest method.

(n) Income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(o) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of associated GST or other consumption related taxes, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included within receivables or payables in the consolidated financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. Summary of significant accounting policies (continued)

(p) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are included in other comprehensive income.

Group companies

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of the balance sheet.
- income and expenses are translated at the average exchange rates for the period
- retained earnings and share capital are translated at the exchange rates prevailing at the date of the transaction, and
- all resulting exchange differences are recognised in other comprehensive income.

(q) Comparative figures

Where required by Accounting Standards comparative figures have been adjusted to conform to changes in presentation for the current financial year.

If an entity changes the presentation or classification of items in its financial statements, it shall reclassify comparative amounts unless reclassification is impracticable. When an entity reclassifies comparative amounts, it shall disclose (including as at beginning of the preceding period):

- (i) the nature of the reclassification;
- (ii) the amount of each item or class of items that is reclassified; and
- (iii) the reason for the reclassification.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. Summary of significant accounting policies (continued)

(r) New accounting standards for application in future periods

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

- AASB 9: *Financial Instruments and associated Amending Standards* (applicable to annual reporting periods commencing on or after 1 January 2018. The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items.

Although the Directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, the new standard is not expected to have a significant impact on the financial statements.

- AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods commencing on or after 1 January 2018). The Standard introduces a new framework for accounting for revenue and will replace AASB 118 Revenue, AASB 111 Construction Contracts and IFRIC 13 Customer Loyalty Programs. AASB 15 establishes principals for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The new standard is based on the principal that revenue is recognised when control of a good or service transfers to a customer, therefore the notion of control replaces the exiting notion of risk and rewards.

The Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue. The Group will apply AASB 15 from the annual reporting period beginning on 1 July 2017 that are effect for annual periods beginning on or after 1 January 2018.

Base on initial assessment, there will be no retrospective restatement impact as the Group is still in the exploration and appraisal stages without revenue and the Group will adopt this standard upon commercialisation.

- AASB 16: *Leases* (applicable to annual reporting periods commencing on or after 1 January 2019). The Standard removes the classification of leases as either operating or finance leases for the lessee effectively treating all leases as finance leases. Short term leases (less than 12 months) and leases of low-value assets (such as personal computers) are exempt from the lease accounting requirements. There are also changes in accounting over the life of a lease. In particular, companies will now recognise a frontloaded pattern of expense for most leases, even when they pay constant annual rentals. Lessor accounting remains similar to current practice i.e lessors continue to classify leases as finance and operating leases.

The Group is assessing the impact of implementation of this standard on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2. Administrative expenses

Consolidated	
2018	2017
\$	\$
Included in administration expenses are:-	
Legal	2,876
Travel	294,356
Audit fees	147,051
Stock exchange fees	31,051
Share registry	18,206
Management fees	72,000
Insurance	14,281
Investor relations	-
Other expenses	250,124

3. Taxation

(i) Income tax

Consolidated	
2018	2017
\$	\$
Income tax benefit	1,246,674

(ii) Reconciliation of income tax benefit to prima facie tax payable

Consolidated	
2018	2017
\$	\$
Loss before income tax	(5,854,009)
Tax at the Australian tax rate of 30% (2017 - 30%)	(1,756,203)
Non-deductible and non-assessable items	5,186
Temporary difference not recognised	(17,483)
Unrecognised tax losses in overseas controlled entities	545,782
Unused tax losses not recognised as deferred tax assets	417,203
Effect of tax rate in foreign countries	(129,490)
Reduction in deferred tax liability due to difference	(311,669)

Income tax benefit

3.1 Included in the non-deductible and non-assessable items for the financial year is the impairment of the PSC in one of the Group's subsidiary (refer note 8.1).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

3. Taxation (continued)

(iii) Tax losses

The estimated deferred tax assets not recognised as an asset because recovery is not probable primarily relates to those incurred by the parent company based in Australia:

	Consolidated	
	2018	2017
	\$	\$
Tax losses - revenue	6,129,809	5,177,667
Tax losses - capital	494,009	494,009
	6,623,818	5,671,676

The potential deferred tax asset will only be realised if:

- (a) the relevant company derives future assessable income of a nature and amount sufficient to enable the asset to be realised, or the asset can be utilised by another company in the Group in accordance with tax legislation;
- (b) the relevant company continues to comply with the conditions for deductibility imposed by the tax legislation; and
- (c) no changes in tax legislation adversely affect the relevant company in realising the asset including satisfying the continuity of ownership and/or continuity of business tests.

4. Other receivables and prepayments

		Consolidated	
		2018	2017
		\$	\$
<i>Current</i>			
Receivables	4.1	951,542	517,151
Deposits		40,973	45,490
Prepayments		136,301	109,956
		1,128,816	672,597

- 4.1 Included in receivables are amounts of \$650,413 (2017: \$418,365) owing from PSC partners for their cash call obligation to finance the exploration projects and operations of the PSC. These amounts are overdue and have been reviewed for indicators of impairment. None of these amounts were found to be impaired given the continued exploration projects, the PSC partners are Indonesian state-owned energy and resources company and leading public listed oil and gas company and the contract for the cash call is binding and the balance remains payable to NuEnergy. Management will endeavour to collect these amounts in full in 2019 financial year.

5. Available for sale financial assets

	Consolidated	
	2018	2017
	\$	\$
Shares in listed securities at fair value	4,642	11,274

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

6. Subsidiaries

The details of the subsidiaries are as follows:

	Country of incorporation	Equity holding	
		2018 %	2017 %
Indon CBM Pty Ltd	Australia	100	100
PT Trisula CBM Energi	Indonesia	95	95
Indo CBM Sumbagsel II Pte Ltd	Singapore	100	100
NuEnergy Gas (Singapore) Pte Ltd ⁽¹⁾	Singapore	100	100
Pourmore Pty Ltd ⁽²⁾	Australia	-	100
Sheraton Pines Pty Ltd	Australia	100	100
Dart Energy (Indonesia) Holdings Pte Ltd	Singapore	100	100
Dart Energy (Tanjung Enim) Pte Ltd	Singapore	100	100
Dart Energy (Muralim) Pte Ltd	Singapore	100	100
Dart Energy (Bontang Bengalon) Pte Ltd	Singapore	100	100
Dart Energy (CBM Power Indonesia) Pte Ltd ⁽¹⁾	Singapore	100	100
PT Dart Energy Indonesia	Indonesia	95	95

⁽¹⁾ Applications have been made to the Singapore Accounting and Corporate Regulatory Authority to strike-off these subsidiaries.

⁽²⁾ This subsidiary was de-registered during the financial year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

7. Plant and equipment

	Equipment and machinery	Tools, jigs and fixtures	Furniture, fittings, office equipment and renovation	Total
	\$	\$	\$	\$
Consolidated				
Cost				
At 1 July 2016	336,780	39,456	138,220	514,456
Additions	-	-	115,086	115,086
Currency translation differences	(10,718)	(1,256)	(3,811)	(15,785)
At 30 June 2017/1 July 2017	326,062	38,200	249,495	613,757
Additions	-	-	2,726	2,726
Disposals	-	-	(9,914)	(9,914)
Currency translation differences	12,442	1,458	8,814	22,714
At 30 June 2018	338,504	39,658	251,121	629,283
Accumulated depreciation				
At 1 July 2016	221,739	30,788	77,096	329,623
Depreciation	66,504	8,444	30,457	105,405
Depreciation charge capitalised to exploration assets	-	-	197	197
Currency translation differences	(8,346)	(1,144)	(2,690)	(12,180)
At 30 June 2017/1 July 2017	279,897	38,088	105,060	423,045
Depreciation	41,163	111	45,607	86,881
Depreciation charge capitalised to exploration assets	-	-	204	204
Disposals	-	-	(4,131)	(4,131)
Currency translation reserves	12,622	1,459	5,668	19,749
At 30 June 2018	333,682	39,658	152,408	525,748
Carrying value				
At 30 June 2017	46,165	112	144,435	190,712
At 30 June 2018	4,822	-	98,713	103,535

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

8. Exploration and evaluation

		Consolidated	
		2018	2017
		\$	\$
Balance at beginning of year		43,907,168	43,327,673
Additions		2,651,840	4,900,379
Impairment charge	8.1	(11,397,870)	(3,116,685)
Exchange differences		1,173,371	(1,204,199)
Balance at end of year		36,334,509	43,907,168
Exploration and evaluation assets	8.2	79,929,372	75,851,000
VAT capitalised	8.3	3,143,356	3,396,517
Accumulated impairment		(46,738,219)	(35,340,349)
Carrying value		36,334,509	43,907,168

- 8.1 During the financial year, the Group completed the work programs for the Rengat PSC for the purpose of fulfilling the remaining Firm Commitments of the PSC. As there have not been attractive commercial discoveries based on the drilling programs to date, the Group and the Indonesian Special Task Force for Upstream Oil and Gas Business Activities (commonly referred to as SKK Migas) have amicably agreed for the Group to relinquish the Rengat PSC after confirmation from SKK Migas of the completion of the Firm Commitments. As a result a full impairment of \$11,397,870 was recorded for the Rengat PSC.

In the previous financial year, an independent expert was engaged by the Group to assess the fair value of exploration and evaluation assets. As a result of the assessment a \$3,116,685 impairment of exploration and evaluation assets was recorded in respect of the Rengat PSC.

- 8.2 Recoverability of the carrying amount of exploration costs is dependent on the successful exploration and sale of coal bed methane.
- 8.3 VAT capitalised is eligible to be claimed back from SKK Migas upon production of coal bed methane on a commercial basis.

9. Other financial assets

		Consolidated	
		2018	2017
		\$	\$
<i>Non-current</i>			
Term deposits related to bank guarantees for mining tenements purposes		758,436	632,971

10. Other payables

		Consolidated	
		2018	2017
		\$	\$
<i>Current</i>			
Payables and accruals		738,351	1,394,488
Related party payables		275,524	686,397
		1,013,875	2,080,885

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

11. Provisions

	Consolidated 2018 \$	2017 \$
<i>Non-current</i> Mine restoration obligations	-	10,000

12. Deferred tax liabilities

	Consolidated 2018 \$	2017 \$
Balance at beginning of year	949,698	2,196,372
Reduction of deferred tax liability from impairment of exploration and evaluation assets 12.1	(949,698)	(1,246,674)
Balance at end of year	-	949,698

12.1 During the financial year, a full impairment was recorded for the Rengat PSC as the Group has amicably agreed with SKK Migas to relinquish the Rengat PSC after confirmation from SKK Migas of the completion of the Firm Commitments (refer note 8.1). The deferred tax liability was reduced to reflect the full impairment of the Rengat PSC exploration and evaluation asset using the Indonesian effective tax rate of 40%.

In the previous financial year, the Group's exploration and evaluation assets were assessed by an independent expert resulting in the impairment of the Rengat PSC. The deferred tax liability was reduced to reflect the impairment of the exploration and evaluation assets using the Indonesian effective tax rate of 40%.

The nature and movements in deferred tax liabilities were as follows:

		At 1 July	Recognised in the statement of profit and loss	At 30 June	Assets	Liabilities
		\$	\$	\$	\$	\$
Consolidated						
2017						
Exploration and evaluation assets	12.1	(2,196,372)	1,246,674	(949,698)	-	(949,698)
2018						
Exploration and evaluation assets	12.1	(949,698)	949,698	-	-	-

13. Share capital

(i) Issued capital

	Consolidated 2018 Shares	2017 Shares	Consolidated 2018 \$	2017 \$
Ordinary shares fully paid	1,480,955,497	1,480,955,497	106,450,311	106,450,311

The Company has unlimited authorised share capital of no par value ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

13. Share capital (continued)

(ii) Movements in ordinary share capital

Date	Details	Issue price	Number of shares	\$
	Balance at 1 July 2016		1,151,521,379	95,001,949
12 May 2017	Right issue capital raising	3.5 cents	329,434,118	11,530,194
	Share issue costs			(81,832)
	Balance at 30 June 2017/1 July 2017		1,480,955,497	106,450,311
	No movement during the year		-	-
	Balance at 30 June 2018		1,480,955,497	106,450,311

In the previous financial year, the Company completed a renounceable rights issue of 329,434,118 shares raising \$11,530,194 before costs. Under the rights issue, the Company offered its Australian and New Zealand based shareholders one (1) fully paid ordinary shares for every two (2) ordinary shares held at an issue price of \$0.035 per new share.

(iii) Terms of ordinary shares

The holders of ordinary shares have the right to receive dividends as declared and in the event of winding up the Company to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holders to one vote, either in person or by proxy at the meeting of the Company.

iv) Capital risk management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other shareholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity. Management effectively manages capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses may include the issue of new shares, return of capital to shareholders, the entering into joint ventures and or the sale of assets.

There is no current intention to incur debt funding on behalf of the Company. The Group is not subject to any externally imposed capital requirements. No dividends were paid in 2018 (2017: \$nil). Management reviews management accounts on a monthly basis and regularly reviews actual expenditures against budget.

14. Reserves

Consolidated	Foreign currency translation reserve	Available for sale financial asset reserve	Total
	\$	\$	\$
Balance at 1 July 2016	5,061,839	(111,915)	4,949,924
Foreign operations foreign currency translation differences	(1,373,226)	-	(1,373,226)
Available for sale financial asset change in value	-	(1,161)	(1,161)
Transfer of reserves on available for sale financial assets to accumulated losses	-	101,967	101,967
Balance at 30 June 2017/1 July 2017	3,688,613	(11,109)	3,677,504
Foreign operations foreign currency translation differences	1,422,894	-	1,422,894
Available for sale financial asset change in value	-	(6,632)	(6,632)
Balance at 30 June 2018	5,111,507	(17,741)	5,093,766

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

14. Reserves (continued)

Nature and purpose of reserves

(i) Foreign currency translation reserve

Exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve on consolidation. The reserve is reclassified to profit and loss when the net investment is sold.

(ii) Available for sale financial asset reserve

The available for sale financial asset reserve comprises the cumulative net change in the fair value of available for sale financial asset, until the assets are derecognised or impaired.

15. Key management personnel disclosures

(a) Directors

The following persons were Directors during the financial year:

Kong Kok Keong	Non-Executive Chairman	
Kee Yong Wah	Deputy-Executive Chairman	
Goh Tian Chuan	Non-Executive Director	
Chen Heng Mun	Non-Executive Director	
Graeme Robertson	Non-Executive Director	- Resigned on 13 September 2017
Alan Fraser	Non-Executive Director	

(b) Other key management personnel

Dr Ian Wang	Chief Executive Officer
Jason Chua Joo Huang	Chief Financial Officer

(c) Key management personnel compensation

The aggregate compensation of the key management personnel of the consolidated entity is set out in the following table. The key management personnel of NuEnergy Gas Limited include the Directors and other key management personnel.

	Consolidated	
	2018	2017
	\$	\$
Short-term employment benefits	626,005	657,672
Other long term benefit	27,919	27,919
	<u>653,924</u>	<u>685,591</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

16. Remuneration of auditors

During the year, the following fees were paid and payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2018 \$	2017 \$
(a) KPMG Australia		
<i>Audit and other assurance services</i>		
Audit and review of financial statements	93,761	87,482
Other assurance services	-	-
Total remuneration of KPMG Australia	<u>93,761</u>	<u>87,482</u>
(b) Related practices of KPMG		
<i>Audit and other assurance services</i>		
Audit and review of financial statements	60,468	46,643
Other assurance services	-	-
Total remuneration for audit and other assurance services	<u>60,468</u>	<u>46,643</u>
<i>Taxation services</i>		
Tax compliance service	<u>1,783</u>	<u>2,344</u>
Total remuneration of related practices of KPMG	<u>62,251</u>	<u>48,987</u>
(c) Non-KPMG audit firms		
<i>Audit and other assurance services</i>		
Audit and review of financial statements	15,178	12,926
Other assurance services	-	-
Total remuneration for audit and other assurance services	<u>15,178</u>	<u>12,926</u>
<i>Taxation services</i>		
Tax compliance service	<u>4,000</u>	<u>4,788</u>
Total remuneration of non-KPMG audit firms	<u>19,178</u>	<u>17,714</u>
Total auditor's remuneration	<u>175,190</u>	<u>154,183</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

17. Loss per share

Income and share data used in the calculations of basic and diluted loss per share:

	Consolidated	
	2018	2017
	\$	\$
Net loss to the members of the parent entity	12,531,172	4,594,843
	Number of shares	Number of shares
Weighted average number of ordinary shares used in the calculation:-		
- Basic weighted average number of ordinary shares	1,480,955,497	1,195,746,781
- Diluted weighted average number of ordinary shares	1,480,955,497	1,247,590,650
Basic loss per share (cents per share)	0.85	0.38
Diluted loss per share (cents per share)	0.85	0.37

18. Expenditure commitments and contingent liabilities

Minimum expenditure for the commitments contracted for under production sharing contracts not provided for in the financial statements:

	Consolidated	
	2018	2017
	\$	\$
Not longer than 1 year	7,951,511	2,914,579
Longer than 1 year and not longer than 5 years	2,478,637	14,801,954
Longer than 5 years	-	-
	10,430,148	17,716,533

Commitments under the Indonesian PSC may be moved into future years after negotiation with the Indonesian Oil and Gas Regulator. The Group has negotiated the postponement of various commitments until future periods and has met the required commitments for the current financial year.

The Group has bank guarantees amounting to \$5,520,129 (2017: \$6,804,253) at year end for performance bonds issued to the Government of Indonesia for the performance under the terms of the work programs for the firm commitments of the PSC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

19. Lease commitments

The Group's operating lease rentals are payable as follows:

	Consolidated	
	2018	2017
	\$	\$
Not longer than 1 year	125,842	88,015
Longer than 1 year and not longer than 5 years	62,921	-
	188,763	88,015

The Group leases office space under operating leases. The leases typically run for a period between 24 months and to 36 months with an option to renew the lease after that date.

20. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2018	2017
	\$	\$
Loss after income tax	(12,532,688)	(4,607,335)
Adjustment for non-cash items:		
Depreciation of plant and equipment	86,881	105,405
Loss on disposal of plant and equipment	3,938	-
Impairment of exploration and evaluation assets	11,397,870	3,116,685
Unrealised forex loss	162,162	175,844
	(881,837)	(1,209,401)
Changes in assets and liabilities:		
Other receivables and prepayments	(414,849)	(537,949)
Other financial assets	(96,745)	925,508
Other payables	3,052	425,836
Provisions	(20,219)	(33,295)
Deferred tax liabilities	(949,698)	(1,246,674)
Net cash used in operating activities	(2,360,296)	(1,675,975)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

21. Segment information

Operating segments are reported in a manner that is consistent with internal reporting to the chief operating decision maker (“CODM”), which has been identified by the Board of Directors. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, or whose operating results are regularly reviewed by the entity’s CODM to make decisions about resources to be allocated to the segment and assess its performance. The Group operates in one segment being the CBM exploration in Indonesia. The measure used by the CODM to evaluate the performance is profit/loss before tax.

Geographical location

The exploration assets of the Group are predominantly located in Indonesia. The Company’s principal and registered office is located in Australia. The geographical information below analyses the Group’s non-current assets and liabilities based on the geographical location of the non-current assets and liabilities. The Group is currently under the exploration and appraisal phase and has no revenues from external customers.

During the financial year, the Group completed the work programs for the Rengat PSC for the purpose of fulfilling the remaining Firm Commitments of the PSC. As there have not been attractive commercial discoveries based on the drillings programs to date, the Group and SKK Migas have amicably agreed for the Group to relinquish the Rengat PSC after confirmation from SKK Migas of the completion of the Firm Commitments. As a result a full impairment of \$11,397,870 was recorded for the Rengat PSC in the Indonesia non-current assets segment.

In the previous financial year, an independent expert was engaged by the Group to assess the fair value of exploration and evaluation assets. As a result of the assessment a \$3,116,685 impairment of exploration and evaluation assets was recorded in respect of the Rengat PSC in the Indonesian non-current assets segment.

		Non-current assets Consolidated	
		2018	2017
		\$	\$
Australia		7,358	17,774
Indonesia		37,193,764	44,724,351
		<u>37,201,122</u>	<u>44,742,125</u>
		Non-current liabilities Consolidated	
		2018	2017
		\$	\$
Australia		-	949,698
Indonesia		-	10,000
		<u>-</u>	<u>959,698</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

22. Related party transactions

(i) Key management personnel

Disclosures relating to key management personnel are set out in Note 15.

(ii) Transaction with related parties

The following transactions took place between the Group and related parties at terms agreed between the parties during the financial year:

- (a) During the financial year, the Company paid a monthly rental fee of \$5,808 (plus GST) to Krisco Investments Pty Ltd, a related party to the Company's Chairman, Kong Kok Keong for the rental of office space. The total paid during the financial year was \$11,616 (2017: \$63,888). The lease was terminated in August 2017 before the expiry on 28 September 2018.
- (b) During the financial year, the Company paid \$9,867 (2017: \$31,958) in fees and reimbursements to Intrasia Mining Pte Ltd, a related party of Graeme Robertson, for the provision of accounting and administration to NuEnergy Gas (Singapore) Pte Ltd and Indo CBM Sumbagsel II Pte Ltd and for the reimbursements of administration and travel expenses incurred on behalf of the Company.

At the end of the financial year, related party transactions amounting to \$275,524 (2017: \$686,397) were outstanding as a related party payable.

23. Subsequent events

The Directors are not aware of any matter or circumstances since the end of the financial year, not otherwise dealt with in this report that has significantly or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group.

24. Financial risk management objectives and policies

The Group's principal financial instruments comprise cash, short-term deposits, available-for-sale investments, other financial assets and accounts payables.

The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as other receivables and other payables, which arise directly from its operations. It is, and has been throughout the entire period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are cash flow interest rate risk and foreign exchange risk. Other minor risks are either summarised below or disclosed in Note 13 in the case of capital risk management. The Board reviews and agrees policies for managing each of these risks.

(a) Cash flow interest rate risk

The Group's exposure to the risks of changes in market interest rates relates primarily to the Group's cash and short term deposits with a floating interest rate. These financial assets with variable rates expose the Group to cash flow interest rate risk. All other financial assets and liabilities in the form of receivables and payables are non-interest bearing. The Group does not engage in any hedging or derivative transactions to manage interest rate risk.

The following table set out the carrying amount of the Group's exposure to interest rate risk and effective weighted average interest rate for each class of these financial instruments. Also included is the effect on profit after tax and equity if interest rates at the reporting date had been 1% higher or lower with all other variables held constant as a sensitivity analysis.

The Group has not entered into any hedging activities to cover interest rate risk. In regard to its interest rate risk, the consolidated entity continuously analyses its exposure. Within this analysis, consideration is given to potential renewals of existing positions, alternative investments and the mix of fixed and variable interest rates.

A sensitivity of 100 basis points (1%) has been selected as this is considered reasonable given the current level of both short term and long term Australian dollar interest rates.

Based on the sensitivity analysis only interest income from variable rate deposits and cash balances is affected resulting in a decrease or increase in overall income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

24. Financial risk management objectives and policies (continued)

(a) Cash flow interest rate risk (continued)

Consolidated

Notes	Floating Interest Rate		Non Interest Bearing		Total Carrying Amount		Interest Rate Risk Sensitivity Effect on profit and equity			
							+100 basis Points	-100basis Points	+100 basis Points	-100basis Points
	\$		\$		\$		\$		\$	
	2018	2017	2018	2017	2018	2017	2018		2017	
Financial Assets:										
Cash at bank	1,369,743	7,449,093	-	-	1,369,743	7,449,093	13,697	(13,697)	74,491	(74,491)
Receivables and deposits	4	-	-	1,128,816	672,597	1,128,816	672,597	-	-	-
Available for sale investments	5	-	-	4,642	11,274	4,642	11,274	-	-	-
Other financial assets	9	758,436	632,971	-	-	758,436	632,971	7,584	(7,584)	6,330
Total		2,128,179	8,082,064	1,133,458	683,871	3,261,637	8,765,935	21,281	(21,281)	80,821
Financial Liabilities:										
Other payables	10	-	-	1,013,875	2,080,885	1,013,875	2,080,885	-	-	-
Total		-	-	1,013,875	2,080,885	1,013,875	2,080,885	-	-	-
Net financial assets/(liabilities)		2,128,179	8,082,064	119,583	(1,397,014)	2,247,762	6,685,050	21,281	(21,281)	80,821

(b) Price risk

The Group is exposed to equity securities price risk. This arises from investments held and classified on the statement of financial position as available-for-sale. The investments are traded on the ASX and fall under Level 1 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

24. Financial risk management objectives and policies (continued)

(c) Liquidity risk

The Group manages liquidity risk by maintaining sufficient cash reserves and marketable securities and through the continuous monitoring of budgeted and actual cash flows. The Group does not hedge its exposure.

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amounts \$	Less than 1 year \$	1 to 2 year(s) \$	2 to 5 years \$	Over 5 years \$	Total \$
Consolidated						
2018						
Other payables	1,013,875	1,013,875	-	-	-	1,013,875
2017						
Other payables	2,080,885	2,080,885	-	-	-	2,080,885

(d) Commodity price risk

The Group is exposed to commodity price risk. This risk arises from its activities directed at exploration and development mineral commodities. If commodity prices fall, the market for companies exploring for these commodities is affected. The Group does not hedge its exposures.

(e) Foreign exchange risk

The Group has significant operations operated from Indonesia and from Australia. The functional currency of the Indonesian operations is US dollars and Australia operation in Australian dollar. As a result, certain financial instruments of the Group are exposed to movements in the US dollar and the Indonesian Rupiah (IDR) against the Australian dollar. The Group does not currently undertake any hedging activities to manage foreign currency risk. At 30 June, the Group had the following exposure to US dollar and Indonesian Rupiah expressed in Australian dollar.

	Assets/(Liabilities) denominated in					
	USD \$	2018 IDR \$	Total \$	USD \$	2017 IDR \$	Total \$
Cash and cash equivalents	1,307,211	43,852	1,351,063	7,379,407	44,729	7,424,136
Other receivables	739,835	60,212	800,047	525,420	103,620	629,040
Other payables	(247,954)	(596,630)	(844,584)	(661,714)	(1,228,805)	(1,890,519)
Net statement of financial position exposure	1,799,092	(492,566)	1,306,526	7,243,113	(1,080,456)	6,162,657

The following table details the Group's pre-tax profit sensitivity to a 10% increase and decrease in the US dollar and IDR against the Australian dollar.

	Consolidated			
	2018 USD \$	IDR \$	2017 USD \$	IDR \$
Increase				
Impact on profit for the year: increase/(decrease)	179,909	(49,257)	724,311	(108,046)
Decrease				
Impact on profit for the year: increase/(decrease)	(179,909)	49,257	(724,311)	108,046

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

24. Financial risk management objectives and policies (continued)

(f) Credit risk

Given the nature of the receivables detailed in Note 4, the Group's exposure to credit risk is not considered to be material.

(g) Net fair values

For financial assets and liabilities, the fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form, other than listed investments. The Group has no financial assets where carrying amount exceeds fair values at balance sheet date.

The Group's receivables at balance sheet date are detailed in Note 4 and primarily comprise GST input tax credits refundable by ATO, deposits and other receivables.

The credit risk on financial assets of the economic entity which have been recognised on the statement of financial position is generally the carrying amount.

25. Parent entity information

(a) Summary financial information

		Parent entity	
		2018	2017
		\$	\$
Balance sheet			
Current assets		897,295	6,424,054
Non-current assets	25.1	37,942,065	43,942,289
Total assets		38,839,360	50,366,343
Current liabilities	25.2	441,477	879,171
Non-current liabilities		-	10,000
Total liabilities		441,477	889,171
Net assets		38,397,883	49,477,172
<i>Shareholders' equity</i>			
Share capital		106,450,311	106,450,311
Reserves		(17,741)	(11,109)
Accumulated losses		(68,034,687)	(56,962,030)
		38,397,883	49,477,172
Loss for the year		(11,072,658)	(5,332,401)
Total comprehensive loss		(11,079,290)	(5,333,562)

25.1 Included in the non-current assets are net amounts owing from subsidiaries amounting to \$16,195,076 (2017: \$22,184,885). These amounts are interest free and has no fixed terms of repayment. During the financial year an impairment loss of \$8,000,000 (2017: \$4,000,000) has been recorded against the recoverable value of these receivables.

25.2 Included in the current liabilities are \$275,524 (2017: \$686,397) owing to related parties.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

25. Parent entity information (continued)

(b) Lease commitment

The Company's operating lease rental payable are as follows:

	2018 \$	2017 \$
Not longer than 1 year	-	10,560
Longer than 1 year and not longer than 5 years	-	-
	<u>-</u>	<u>10,560</u>

The Company leases office space from Krisco Investments Pty Ltd, a related party to the Company's Chairman, Kong Kok Keong as detailed in Note 22. The lease is for a period of 36 months with an option to renew the lease after that date. During the financial year, the lease was terminated in August 2017 before the expiry on 28 February 2018.

(c) Contingencies

The Company has no contingent liabilities (2017: \$nil).



Independent Auditor's Report

To the shareholders of NuEnergy Gas Limited

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of NuEnergy Gas Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The Financial Report comprises:

- Consolidated statement of financial position as at 30 June 2018;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The **Group** consists of NuEnergy Gas Limited (the Company) and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 1(a), "Going Concern" in the financial report. The conditions disclosed in Note 1(a), indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report. Our opinion is not modified in respect of this matter.

In concluding there is a material uncertainty related to going concern we evaluated the extent of uncertainty regarding events or conditions casting significant doubt in the Group's assessment of going concern. Our approach to this involved:

- Evaluating the feasibility, quantum and timing of the Group's plans to raise additional shareholder funds to address going concern;
- Assessing the Group's cash flow forecasts for incorporation of the Group's operations and plans to address going concern, in particular in light of the Group's loss making operation and the requirement to meet exploration commitments contained within specific Production Sharing Contracts; and
- Determining the completeness of the Group's going concern disclosures for the principle matters casting significant doubt on the Group's ability to continue as a going concern, the Group's plans to address these matters, and the material uncertainty.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report for the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matter described below to be the Key Audit Matter.

Exploration and evaluation expenditure (\$36,334,509)

Refer to Note 8 "Exploration and Evaluation Expenditure" to the Financial report

The key audit matter

Exploration and evaluation expenditure capitalised (E&E) is a key audit matter due to:

- the significance of the activity to the Group's business and the balance (being 92% of total assets); and
- the greater level of audit effort to evaluate the Group's application of the requirements of the industry specific accounting standard AASB 6

How the matter was addressed in our audit

Our audit procedures included:

- we evaluated the Group's accounting policy to recognise E&E assets using the criteria in the accounting standard;
- we assessed the Group's determination of its areas of interest for consistency with the definition in the accounting standard. This involved analysing the licenses in which the Group holds an interest and the exploration

Exploration for and Evaluation of Mineral Resources, in particular the conditions allowing capitalisation of relevant expenditure and presence of impairment indicators. The presence of impairment indicators would necessitate a detailed analysis by the Group of the value of E&E, therefore given the criticality of this to the scope and depth of our work, we involved senior team members to challenge the Group's assessment.

In assessing the conditions allowing capitalisation of relevant expenditure, we focused on:

- the determination of the areas of interest (areas);
- documentation available regarding rights to tenure, via licensing, and compliance with relevant conditions, to maintain current rights to an area of interest with additional complexity arising from the rights held in Indonesia and the authoritative nature of external registry sources and the Group's intention and capacity to continue the relevant E&E activities; and
- the Group's determination of whether the E&E are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale in particular evaluating the results of the external expert engaged by the Group.

In assessing the presence of impairment indicators, we focused on those that may draw into question the commercial continuation of E&E activities for areas of interest where significant capitalised E&E exists. In addition to the assessments above, and given the Group's planned cashflow forecast in respect of certain areas of interest, the uncertain renewal of rights to tenure, the volatile gas prices and the financial position of the Group we paid particular attention to:

- the impact of the uncertain rights to tenure of the Group over particular areas of interest to the implications to carrying forward capitalised E&E;
- the ability of the Group to fund the continuation of activities; and
- results from latest activities regarding the existence or otherwise of economically recoverable resources or reserves and commercially viable quantity of gas resources or

programs planned for those for consistency with documentation such as joint venture agreements and planned work programs;

- for each area of interest, we assessed the Group's current rights to tenure by corroborating the ownership of the relevant license to agreements in place with other parties. We also tested for compliance with conditions, such as minimum expenditure requirements, on a sample of licenses;
- we tested the Group's additions to E&E for the year by evaluating a sample of recorded expenditure for consistency to underlying records, the capitalisation requirements of the Group's accounting policy and the requirements of the accounting standard;
- we evaluated Group documents, such as minutes of board meetings, ASX announcements, cash flow forecasts, for consistency with their stated intentions for continuing E&E in certain areas. We corroborated this through interviews with key operational and finance personnel as well as reading Group correspondence with Indonesian regulatory authorities;
- we analysed the Group's determination of recoupment through successful development and exploitation of the areas of interest by evaluating the Group's documentation of planned future and continuing activities including work programs and project budgets for a sample of areas;
- we assessed the impact of the uncertain rights to tenure of the Group over particular areas of interest to the Group's planned continued exploration and evaluation activities. We analysed correspondence with Indonesian regulatory authorities to understand the status of rights to tenure, and compared this to the Group's proposed level and timing of activity prior to and after the expiration of exploration licenses for those tenements. We used this knowledge to assess the Group's decision to continue to carry E&E on these areas, and the consistency of the decision for commercial continuation of activities; and
- we obtained project budgets identifying

reserves, including the impact of volatile gas prices. The Group engaged an external expert to assist with these assessments.

These assessments can be inherently difficult, particularly in uncertain market conditions such as those currently being experienced in Indonesian coal bed methane gas exploration.

In addition to the above, the Group recorded an impairment charge of \$11,397,870 against E&E as a result of the relinquishment of the Rengat Production Sharing Contract. Relinquishment occurred as there have not been commercial discoveries in the area.

areas with existing funding and those requiring alternate funding sources. We compared this for consistency with areas with E&E, for evidence of the ability to fund continued activities. We identified those areas relying on alternate funding sources and evaluated the capacity of the Group to secure such funding.

Other Information

Other Information is financial and non-financial information in NuEnergy Gas Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of the Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of NuEnergy Gas Limited for the year ended 30 June 2018, complies with *Section 300A of the Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A of the Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in paragraphs a to e or pages 10 to 15 of the Directors' report for the year ended 30 June 2018.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.



KPMG



Daniel Camilleri

Partner

Sydney

28 September 2018

SHAREHOLDER AND OTHER INFORMATION

SHAREHOLDINGS

The issued capital of the Company as at 26 September 2018 is 1,480,955,497 ordinary fully paid shares. There are no listed options.

Range	Securities	%
100,001 and Over	1,473,858,321	99.52
10,001 to 100,000	6,393,484	0.43
5,001 to 10,000	507,448	0.03
1,001 to 5,000	170,346	0.01
1 to 1,000	25,898	0.00
Total	1,480,955,497	100.00
Unmarketable Parcels	990,240	0.07

Voting Rights

At general meetings of members:

- Each member entitled to vote may vote in person or by proxy, attorney or representative;
- On a show of hands, every person present who is a member or a proxy, attorney or representative of a member has one vote; and
- On a poll, every person who is a member or a proxy, attorney or representative of a member shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share.

TOP 20 SHAREHOLDERS OF ORDINARY SHARES AS AT 26 SEPTEMBER 2018

Rank	Name	26 September 2018	%
1	NEW CENTURY ENERGY RESOURCES LIMITED	478,723,404	32.33
1	GLOBALTEC ENERGY RESOURCES SDN BHD	478,723,404	32.33
2	RHB SECURITIES SINGAPORE PTE LTD	161,602,090	10.91
3	MR KOK KEONG KONG	68,112,694	4.60
3	GOH TIAN CHUAN	68,112,694	4.60
4	CITICORP NOMINEES PTY LIMITED	59,667,989	4.03
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	18,860,609	1.27
6	KEE YONG WAH	15,410,774	1.04
7	BNP PARIBAS NOMS PTY LTD	6,710,330	0.45
8	MONAL PTY LIMITED	5,605,834	0.38
9	MORYTON PTY LIMITED	5,550,000	0.37
10	ROXTRUS PTY LTD	5,000,000	0.34
11	PAULINE LIM LAI LAI	4,000,000	0.27
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,817,659	0.26
13	JJJ NG PTY LTD	3,740,161	0.25
14	MRS MELANIE VERHEGGEN & MISS SASHA VERHEGGEN	3,106,751	0.21
15	HSBC INVESTMENTS PTY LIMITED	3,028,750	0.20
16	FILMRIM PTY LTD	3,000,000	0.20
17	HAZARDOUS INVESTMENTS PTY LTD	2,678,050	0.18
18	WESTAR PRODUCTIONS PTY LTD	2,491,667	0.17
19	MR STEWART PHILIP CRANSWICK	2,443,000	0.16
20	GREENGATE PTY LTD	2,266,073	0.15
	Total	1,402,651,933	94.71
	Balance of Register	78,303,564	5.29
	Grand TOTAL	1,480,955,497	100.00

SCHEDULE OF MINING TENEMENTS

AREA OF INTEREST	TENEMENTS	% INTEREST
Central Sumatra, Indonesia	Rengat PSC	100%
South Sumatra, Indonesia	Muara Enim PSC	40%
South Sumatra, Indonesia	Muara Enim II PSC	30%
South Sumatra, Indonesia	Tanjung Enim PSC	45%
South Sumatra, Indonesia	Muralim PSC	50%
East Kalimantan, Indonesia	Bontang Bengalon PSC	100%
Victoria, Australia	Fosterville and Eppalock exploration licence (EL 3211 and 3271)	2.5% gross gold royalty

NOTES